

# Financials

## Auditors' Report

### TO THE MEMBERS OF GODREJ CONSUMER PRODUCTS LIMITED

1. We have audited the attached Balance Sheet of GODREJ CONSUMER PRODUCTS LIMITED as at March 31, 2007 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
    - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**Daraius Z. Fraser**  
Partner  
M. No.: 42454  
Mumbai  
April 25, 2007.

## Annexure to the Auditor's Report

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we further report that:

1. Fixed Assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies reported on such verification are not material and have been properly dealt with in the books of account.
  - c) In our opinion, there have been no significant disposals of fixed assets during the year which affect the going concern assumption.
2. Inventory:
  - a) The Management has conducted physical verification of inventory at reasonable intervals. In our opinion, the frequency of verification is reasonable.
  - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on verification between the physical stocks and the book records.
3. Loans and Advances:
  - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchases of inventory and fixed assets, and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. Transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956:
  - a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 500,000 in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder. No order has been passed by the Company Law Board, or National Company Law Tribunal, or Reserve Bank of India, or any Court, or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

## Annexure to the Auditor's Report

8. We have broadly reviewed the books of account maintained by the Company in respect of the manufacture of soaps, cosmetics and toiletries pursuant to the Rules made by the Central Government for maintenance of cost records, under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any other products of the Company.
9. Statutory Dues
- a) According to the information and explanation given to us, the Company is generally regular in depositing undisputed statutory dues including dues pertaining to Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues applicable to it with the appropriate authorities. We have been informed that there are no undisputed dues which have remained outstanding as at the end of the financial year, for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty or Cess outstanding on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Amount (Rs. in Lac)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty demands in respect of clearances of soap	1212.82	1993-1996	Supreme Court
	Rate differences on account of soap scrap	30.77	2000-2001	CESTAT
	Provisional Assessment of Goods	1.00	1996-1999	Assistant Commissioner
Sales Tax Act	Interest on sales tax dues	12.07	2001-2002	High Court
	Sales tax dues	5.10	2002-2003	Asst. Commissioner
	Sales tax dues	0.95	2005-2006	Asst. Commissioner
	Sales tax dues	6.50	2000-2001	ST Authority
	Sales tax dues	11.26	2003-2004	ST Authority
Income-tax Act, 1961	Deduction under Section 80-IB, 80-IC, 80-HHC, Depreciation Allowance, etc.	668.48	Assessment Year 2004-2005	CIT(A)

10. The Company does not have accumulated losses as at the end of the financial year, nor has it incurred cash losses in the current financial year, or in the immediately preceding financial year.
11. According to the information and explanations given to us and based on the documents and records produced before us, there has been no default in repayment of dues to banks. There are no dues to financial institutions or debenture holders.
12. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

## Annexure to the Auditor's Report

13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
14. The Company does not deal or trade in shares, securities, debentures and other investments.
15. According to the information and explanations given to us and the records examined by us, the terms and conditions of guarantee given by the Company for loans taken by its subsidiary from banks are not prima facie prejudicial to the interest of the Company.
16. According to the information and explanations given to us, and the records examined by us, on an overall basis, the term loans were applied by the Company for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet, the Cash Flow Statement and other records examined by us, the Company has not used funds raised on short-term basis for long-term investment.
18. The Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not issue any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based on the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**Daraius Z. Fraser**

Partner

M. No.: 42454

Mumbai

April 25, 2007.

**Balance Sheet as at March 31, 2007**

	Schedule	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
<b>SOURCES OF FUNDS</b>				
1. Shareholders' Funds				
(a) Share capital	1	2258.44		2258.44
(b) Reserves & surplus	2	8831.98		5357.00
			<b>11090.42</b>	<b>7615.44</b>
2. Loan Funds				
(a) Secured loans	3	4786.47		487.41
(b) Unsecured loans	4	6500.00		—
			<b>11286.47</b>	<b>487.41</b>
3. Deferred Tax Liability (net)			<b>797.00</b>	<b>663.00</b>
<b>TOTAL</b>			<b>23173.89</b>	<b>8765.85</b>
<b>APPLICATION OF FUNDS</b>				
4. Fixed Assets	6			
(a) Gross block		24364.90		15921.11
(b) Less: Depreciation		9552.12		8638.66
(c) Net block		14812.78		7282.45
(d) Capital work-in-progress		3981.35		705.90
			<b>18794.13</b>	<b>7988.35</b>
5. Investments	7		<b>7179.07</b>	<b>5001.33</b>
6. Current Assets, Loans and Advances	8			
(a) Inventories		11722.66		8788.65
(b) Sundry debtors		979.71		651.95
(c) Cash and bank balances		2172.94		1373.10
(d) Loans and advances		4563.62		1283.13
		19438.93		12096.83
7. Less : Current Liabilities and Provisions	9			
(a) Current Liabilities		21416.91		15549.12
(b) Provisions		821.33		771.54
		22238.24		16320.66
Net Current Assets			<b>(2799.31)</b>	<b>(4223.83)</b>
<b>TOTAL</b>			<b>23173.89</b>	<b>8765.85</b>
Notes to Accounts	16			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

For and on behalf of

**Kalyaniwalla & Mistry**

Chartered Accountants

**Darius Z. Fraser**

Partner

Mumbai, April 25, 2007

Signatures to Balance Sheet and Schedules 1 to 9 and 16.

For and on behalf of the Board

**Adi Godrej**

- Chairman and Managing Director

**Jamshyd Godrej** - Director

**Nadir Godrej** - Director

**Bala Balachandran** - Director

**Rama Bijapurkar** - Director

**Bharat Doshi** - Director

**Aman Mehta** - Director

**Hoshedar Press** - Executive Director and President

**Sunil Sapre** - Executive Vice President (Finance & Commercial) and Company Secretary

## Profit & Loss Account for the year ended March 31, 2007

	Schedule	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
<b>INCOME</b>				
1. Sales (Gross)		79665.60		69192.42
Less: Excise duty		<u>3814.04</u>		<u>3460.53</u>
			<b>75851.56</b>	65731.89
2. Other income	10		<b>530.37</b>	693.40
			<b>76381.93</b>	<u>66425.29</u>
<b>EXPENDITURE</b>				
3. Materials consumed and purchase of goods	11	39242.36		31605.68
4. Expenses	12	24287.87		21454.66
5. Interest and financial charges (net)	13	584.36		403.99
6. Depreciation		<u>1249.46</u>		<u>1078.39</u>
		65364.05		54542.72
7. Inventory change	14	<u>(2422.24)</u>		<u>(1244.62)</u>
			<b>62941.81</b>	53298.10
<b>Profit Before Tax, Extraordinary and Prior Period Items:</b>			<b>13440.12</b>	13127.19
8. Provision for taxes				
- Current tax		(1507.99)		(1098.00)
- Deferred tax		(134.00)		131.00
- Fringe benefit tax		<u>(76.00)</u>		<u>(90.00)</u>
			<b>(1717.99)</b>	<u>(1057.00)</u>
<b>Net Profit after Tax</b>			<b>11722.13</b>	12070.19
9. Tax adjustments in respect of prior years			<b>480.71</b>	50.28
<b>Net Profit after tax and before extra ordinary items:</b>			<b>12202.84</b>	12120.47
10. Extra ordinary Items (net of tax)	15		<b>1012.93</b>	-
<b>Net Profit:</b>			<b>13215.77</b>	12120.47
11. Surplus brought forward			<b>2696.56</b>	803.24
<b>Profit available for appropriation :</b>			<b>15912.33</b>	12923.71
<b>Appropriations :</b>				
1. Dividend on equity shares				
- Interim			<b>8469.15</b>	7904.54
2. Tax on distributed profit			<b>1271.64</b>	1108.61
3. Transfer to General Reserve			<b>1322.00</b>	1214.00
4. Surplus carried forward			<b>4849.54</b>	2696.56
<b>TOTAL</b>			<b>15912.33</b>	12923.71
Earnings per share	16.23			
Basic and Diluted Earnings (Before Extraordinary Items)			<b>5.40</b>	5.36
Basic and Diluted Earnings (Including Extraordinary Items) (Face value Re. 1)			<b>5.85</b>	5.36
Notes to Accounts	16			

The Schedules referred to above form an integral part of the Profit & Loss Account.  
As per our Report attached Signatures to Profit & Loss Account and Schedules 10 to 16.  
For and on behalf of For and on behalf of the Board

**Kalyaniwalla & Mistry**  
Chartered Accountants

**Adi Godrej** - Chairman and Managing Director  
**Jamshyd Godrej** - Director  
**Nadir Godrej** - Director  
**Bala Balachandran** - Director  
**Rama Bijapurkar** - Director  
**Bharat Doshi** - Director  
**Aman Mehta** - Director  
**Hoshedar Press** - Executive Director and President  
**Sunil Sapre** - Executive Vice President (Finance & Commercial) and Company Secretary

**Darius Z. Fraser**  
Partner

Mumbai, April 25, 2007

## Cash Flow Statement for the year ended March 31, 2007

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
<b>A. Cash Flow from operating activities:</b>			
Profit Before Tax, Extraordinary and Prior Period Items:		<b>13440.12</b>	13127.19
Adjustments for:			
Depreciation	1249.46		1078.39
Foreign Exchange (Gain)/ Loss	79.08		(61.75)
(Profit)/ Loss on Fixed Assets Sold/ Discarded	14.87		(146.43)
Profit on Sale of Investment	(22.73)		(38.71)
Dividend Income	–		(2.74)
Discount on Prepayment of Deferred Sales Tax Loan	–		(3.25)
Interest Income	(174.17)		(40.30)
Interest Expense	758.53		444.29
Bad Debts Written off	0.64		2.17
Provision for Doubtful Debts and Advances	(8.90)		(8.49)
Write in of Old Balances	(34.42)		(62.26)
Others	18.75		0.95
		<b>1881.11</b>	1161.87
Operating Profit Before Working Capital Changes		<b>15321.23</b>	14289.06
Adjustments for:			
Inventories	(2934.03)		(1407.84)
Trade and Other Receivables	(2982.06)		104.68
Trade Payables	3118.67		2988.55
		<b>(2797.42)</b>	1685.39
Cash Generated from/ (used) in Operations		<b>12523.81</b>	15974.45
Adjustment for:			
Direct Taxes Paid		<b>(1762.18)</b>	(1224.39)
Net Cash Flow from Operating Activities		<b>10761.63</b>	14750.06
<b>B. Cash Flow from investing activities:</b>			
Purchase of Fixed Assets	(9850.74)		(1657.25)
Sale of Fixed Assets	71.90		2188.46
Purchase of Investments	(27378.00)		(36514.07)
Sale of Investments	25222.98		31551.45
Interest Received	63.88		40.30
Dividend Received	–		2.74
Sale Proceeds of “Snuggly” Trademark - an exceptional item	1500.00		–
Net Cash Flow From Investing Activities		<b>(10369.98)</b>	(4388.37)
Balance carried forward		<b>391.65</b>	10361.69

## Cash Flow Statement for the year ended March 31, 2007

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Balance brought forward		<b>391.65</b>	10361.69
<b>C. Cash Flow from financing activities:</b>			
Buyback of Equity Share Capital	—		(477.42)
Proceeds from borrowings	19199.08		9093.65
Repayments of borrowings	(8878.66)		(9488.34)
Cash Credits (net)	472.79		275.25
Interest Paid	(773.98)		(381.25)
Dividend Paid	(8423.25)		(7797.60)
Tax on Distributed Profits	(1187.78)		(1109.62)
Net Cash Flow from financing activities		<b>408.20</b>	(9885.33)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents:</b>		<b>799.85</b>	476.36
<b>Cash and Cash Equivalents:</b>			
<b>As at the beginning</b>			
Cash and Bank Balances		<b>1373.10</b>	896.74
<b>As at the ending</b>			
Cash and Bank Balances		<b>2172.39</b>	1372.59
Unrealised Foreign Exchange Restatement in Cash and Cash Equivalents		<b>0.56</b>	0.51
		<b>2172.95</b>	1373.10
<b>Net Increase/(Decrease) in Cash and Cash Equivalents:</b>		<b>799.85</b>	476.36

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**Daraius Z. Fraser**  
Partner

Mumbai, April 25, 2007

For and on behalf of the Board

**Adi Godrej** - Chairman and Managing Director  
**Jamshyd Godrej** - Director  
**Nadir Godrej** - Director  
**Bala Balachandran** - Director  
**Rama Bijapurkar** - Director  
**Bharat Doshi** - Director  
**Aman Mehta** - Director  
**Hoshedar Press** - Executive Director and President  
**Sunil Sapre** - Executive Vice President (Finance & Commercial) and Company Secretary

## Schedules forming part of the Accounts for the year ended March 31, 2007

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
<b>SCHEDULE 1: SHARE CAPITAL</b>			
<b>1. Authorised:</b>			
250000000 Equity shares of Re. 1/- each (Previous year 62500000 Equity shares of Rs. 4/- each)		<u>2500.00</u>	<u>2500.00</u>
<b>2. Issued, subscribed and paid up:</b>			
225844076 Equity shares of Re. 1/- each (Previous year 56461019 Equity shares of Rs. 4/- each) fully paid up		<u>2258.44</u>	<u>2258.44</u>
<b>Total</b>		<u>2258.44</u>	<u>2258.44</u>
Note: Of the above, 225843376 shares of Re. 1/- each (previous year 56460844 shares of Rs. 4/- each) have been issued for consideration other than cash pursuant to the Scheme of Arrangement with Godrej Soaps Limited.			
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>			
<b>1. Capital investment subsidy reserve</b>			
As per last Balance Sheet		15.00	15.00
<b>2. Capital redemption reserve</b>			
As per last Balance Sheet	134.72		128.98
Add: Transfer from General Reserve	—		5.74
	<u>          </u>	134.72	<u>134.72</u>
<b>3. General Reserve</b>			
As per last Balance Sheet	2510.72		1774.14
Add: Transfer from Profit and Loss Account	1322.00		1214.00
Less: Transfer to Capital Redemption Reserve on buy-back of shares	—		5.74
Less: Premium on buy-back of shares	—		471.68
	<u>          </u>	3832.72	<u>2510.72</u>
<b>4. Profit &amp; Loss Account</b>		<u>4849.54</u>	<u>2696.56</u>
<b>Total</b>		<u>8831.98</u>	<u>5357.00</u>

## Schedules forming part of the Accounts for the year ended March 31, 2007

	Rs. in Lac	<b>Current Year Rs. in Lac</b>	Previous Year Rs. in Lac
<b>SCHEDULE 3: SECURED LOANS</b>			
<b>1. Borrowings from Banks</b>			
a) Term Loans	3333.33		—
b) Cash Credit	905.28		432.49
c) Working Capital Demand Loans	500.00		—
	<hr/>	<b>4738.61</b>	<hr/> 432.49
<b>2. Sales Tax deferment loan</b>		<b>47.86</b>	54.92
<b>Total</b>		<b>4786.47</b>	<hr/> 487.41 <hr/>
<b>SCHEDULE 4: UNSECURED LOANS</b>			
<b>1. Term Loans and Advances</b>			
a) From Banks		<b>6500.00</b>	—
<b>Total</b>		<b>6500.00</b>	—
Amount repayable within one year		<b>3200.00</b>	—
<b>SCHEDULE 5: DEFERRED TAX LIABILITY (NET)</b>			
<b>1. Deferred Tax Liability</b>			
a) Difference Between Book and Tax Depreciation		<b>926.00</b>	798.00
<b>2. Deferred Tax Asset</b>			
a) Expenditure Disallowable under Section 43B	(119.00)		(125.00)
b) Provision for Doubtful Debts	(10.00)		(10.00)
	<hr/>	<b>(129.00)</b>	<hr/> (135.00)
<b>Total</b>		<b>797.00</b>	<hr/> 663.00 <hr/>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 6 : FIXED ASSETS

Rupees in Lac

ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1-4-2006	Additions	Deductions	As on 31-3-2007	Upto 31-3-2006	For the Year	On Deductions	Upto 31-3-2007	As on 31-3-2007	As on 31-3-2006
Tangible Assets:										
Freehold Land	11.43	–	–	11.43	–	–	–	–	11.43	11.43
Leasehold Land	125.55	547.40	–	672.95	11.93	2.51	–	14.44	658.51	113.62
Buildings	1669.88	1591.76	–	3261.64	456.34	57.43	–	513.77	2747.87	1213.54
Plant and Machinery	9585.30	2756.45	92.00	12249.75	5580.79	612.57	58.00	6135.36	6114.39	4004.51
Furniture, Fixtures and Fittings	88.55	60.29	9.00	139.84	56.39	5.46	5.00	56.85	82.99	32.16
Office Equipment	318.80	63.69	7.00	375.49	152.91	15.72	2.00	166.63	208.86	165.89
Computers	265.24	138.32	4.00	399.56	172.12	43.10	4.00	211.22	188.34	93.12
Vehicles	70.76	8.66	25.00	54.42	45.19	5.46	16.00	34.65	19.77	25.57
Intangibles:										
Computer Software	168.81	203.60	–	372.41	114.47	34.85	–	149.32	223.09	54.34
Trade Marks and Brands	3520.06	3831.41	590.00	6761.47	2026.04	463.30	231.00	2258.34	4503.13	1494.02
Assets Under Finance Lease:										
Leased Vehicles	96.73	25.21	56.00	65.94	22.48	9.06	20.00	11.54	54.40	74.25
<b>Total</b>	<b>15921.11</b>	<b>9226.79</b>	<b>783.00</b>	<b>24364.90</b>	<b>8638.66</b>	<b>1249.46</b>	<b>336.00</b>	<b>9552.12</b>	<b>14812.78</b>	<b>–</b>
Previous Year	17988.09	349.77	2416.75	15921.11	7912.36	1078.39	352.09	8638.66	–	7282.45
Capital Work-in-Progress including Capital Advances									3981.35	705.90
<b>Total</b>									<b>18794.13</b>	<b>7988.35</b>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 7 : INVESTMENTS

Previous Year Nos.	Current Year Nos.		Face Value Rs.	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Long Term - At Cost						
<b>1. IN EQUITY SHARES OF SUBSIDIARY COMPANIES</b>						
Unquoted:						
200	200	Godrej Netherlands B.V.	€ 100	4912.57		4901.33
–	18050000	Rapidol (Pty) Ltd. (Formerly Desert Star Trading 359 (Pty) Ltd.	ZAR 1	1266.50		–
–	1000000	Godrej SCA Hygiene Ltd.	10	1000.00		–
					<b>7179.07</b>	<u>4901.33</u>
Current - At Cost						
<b>2. IN UNITS OF MUTUAL FUNDS</b>						
Unquoted :						
900641	–	Birla Sunlife Mutual Fund – Birla Cash Plus Liquid	10	–		100.00
149469540	78432381	• Purchased during the year				
148568899	79333022	• Sold during the year				
		Prudential ICICI Mutual Fund – ICICI Prudential Liquid	10	–		–
56079342	115648343	• Purchased during the year				
56079342	115648343	• Sold during the year				
		Kotak Mahindra Mutual Fund – Kotak Liquid	10	–		–
35501748	25995863	• Purchased during the year				
35501748	25995863	• Sold during the year				
		J M Mutual Fund – JM Liquid	10	–		–
20177270	–	• Purchased during the year				
20177270	–	• Sold during the year				
					–	<u>100.00</u>
<b>Total</b>					<b>7179.07</b>	<u>5001.33</u>
Aggregate Book Value of Investments :						
Quoted					–	–
Unquoted					<b>7179.07</b>	<u>5001.33</u>
<b>Total</b>					<b>7179.07</b>	<u>5001.33</u>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES

	Rs. in Lac	Current Year Rs in Lac	Previous Year Rs. in Lac
1. Inventories (At lower of cost and net realisable value)			
a) Raw Materials	3559.90		3065.90
b) Stores and Spares	240.96		223.19
c) Work-in-Progress	2141.18		1060.87
d) Finished Goods	5780.62		4438.69
	<u>          </u>	<b>11722.66</b>	<u>8788.65</u>
2. Sundry Debtors (Unsecured - Considered good, unless otherwise stated)			
a) Debts outstanding for a period exceeding six months (Including doubtful debts Rs. 27.34 lac; previous year Rs. 29.23 lac)	27.34		29.23
b) Other Debts	979.71		651.95
	<u>1007.05</u>		<u>681.18</u>
c) Less : Provision For Doubtful Debts	27.34		29.23
	<u>          </u>	<b>979.71</b>	<u>651.95</u>
3. Cash and Bank Balances			
a) Cash in Hand	11.36		9.54
b) Cheques on Hand	321.95		75.21
c) Balances with Scheduled Banks			
- In Current Accounts	1772.23		1264.10
- In Deposit Accounts	67.40		24.25
	<u>          </u>	<b>2172.94</b>	<u>1373.10</u>
4. Loans and Advances (Unsecured - considered good, unless otherwise stated)			
a) Advances Recoverable in Cash or in Kind or For Value to be Received (Net of advances considered doubtful Rs. 2.04 lac; previous year Rs. 9.48 lac)	3651.74		486.52
b) Balances With Excise Authorities	680.48		617.10
c) Sundry Deposits	197.43		179.51
d) Advance Payment of Taxes (Net of Provision for Taxes)	33.97		-
	<u>          </u>	<b>4563.62</b>	<u>1283.13</u>
<b>Total</b>		<u><b>19438.93</b></u>	<u><b>12096.83</b></u>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 9: CURRENT LIABILITIES AND PROVISIONS

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Current Liabilities			
a) Sundry Creditors			
- Small Scale Industrial Undertakings	530.42		542.51
- Others	7829.21		4314.34
b) Advances and Deposits	373.55		429.68
c) Unclaimed Dividends	296.37		250.47
d) Other Liabilities	9509.98		7129.83
e) Interim Dividend Payable	2823.05		2823.05
f) Interest Accrued but not Due on Loans	54.33		59.24
		<b>21416.91</b>	15549.12
2. Provisions			
a) For Taxation (Net of Advance Payment of Taxes)	—		15.34
b) For Tax on Distributed Profits	479.78		395.93
c) For Leave Encashment	341.55		360.27
		<b>821.33</b>	771.54
<b>Total</b>		<b>22238.24</b>	16320.66

### SCHEDULE 10 : OTHER INCOME

1. Dividend		—	2.74
2. Profit on Sale of Investments (Net)		<b>22.73</b>	38.71
3. Royalty Income		<b>275.85</b>	34.04
4. Claims Received		<b>76.83</b>	555.65
5. Miscellaneous Income		<b>154.96</b>	62.26
<b>Total</b>		<b>530.37</b>	693.40

### SCHEDULE 11 : MATERIALS CONSUMED AND PURCHASE OF GOODS

1. Raw Materials Consumed			
Stock at the commencement of the year	3065.90		2932.37
Add : Purchases (Net)	38523.00		30134.41
	41588.90		33066.78
Less : Stock at the close of the year	3559.90		3065.90
Raw material consumed during the year		<b>38029.00</b>	30000.88
2. Purchase of Goods for Resale		<b>1213.36</b>	1604.80
<b>Total</b>		<b>39242.36</b>	31605.68

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 12 : EXPENSES

	Rs. in Lac	<b>Current Year Rs. in Lac</b>	Previous Year Rs. in Lac
1. Salaries, Wages and Bonus		<b>3678.70</b>	4003.11
2. Contribution to Provident and Other Funds		<b>165.76</b>	141.27
3. Workmen and Staff Welfare Expenses		<b>205.23</b>	171.02
4. Stores and Spare Consumed		<b>393.05</b>	410.87
5. Processing Charges and Other Manufacturing Charges		<b>1246.40</b>	841.24
6. Excise Duty on Increase/ (Decrease) of Finished Goods		<b>42.35</b>	169.49
7. Power and Fuel		<b>2393.83</b>	2098.89
8. Repairs and Maintenance			
a) Plant and Machinery	106.32		119.70
b) Buildings	24.97		30.83
c) Others	89.03		55.11
		<b>220.32</b>	205.64
9. Establishment Expenses		<b>692.38</b>	536.73
10. Miscellaneous Expenses		<b>1347.08</b>	1432.17
11. Rent		<b>397.20</b>	188.92
12. Rates and Taxes		<b>750.32</b>	699.93
13. Travelling and Conveyance		<b>831.67</b>	652.76
14. Insurance		<b>149.40</b>	126.31
15. Selling and Distribution Expenses		<b>777.00</b>	771.46
16. Sales Promotion		<b>2290.36</b>	1258.04
17. Freight		<b>3070.28</b>	2525.28
18. Advertising and Publicity		<b>5377.63</b>	5341.37
19. Commission		<b>33.04</b>	38.88
20. Discount		<b>18.87</b>	12.20
21. Loss /(Profit) on Sale of Assets (Net)		<b>14.87</b>	(146.79)
22. Loss /(Gain) on Exchange Difference (Net)		<b>191.49</b>	(26.30)
23. Bad Debts Written Off		<b>0.64</b>	2.17
<b>Total</b>		<b>24287.87</b>	21454.66

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 13 : INTEREST AND FINANCIAL CHARGES (NET)

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Interest Expense :			
a) Interest on Bank Loans	299.49		42.78
b) Other Interest	303.45		205.90
		<b>602.94</b>	<u>248.68</u>
2. Interest Income :			
a) On Customer Balances	-		(3.60)
b) On Income Tax Refund	(156.91)		-
c) Other Interest	(17.26)		(36.70)
		<b>(174.17)</b>	<u>(40.30)</u>
Net Interest Expense		<b>428.77</b>	<u>208.38</u>
3. Discounting and Other Finance Charges		<b>155.59</b>	<u>195.61</u>
<b>Total</b>		<b>584.36</b>	<u>403.99</u>

### SCHEDULE 14 : INVENTORY CHANGE

1. Opening Inventory			
a) Finished Goods	4438.69		3647.47
b) Work-in-Progress	1060.87		607.47
		<b>5499.56</b>	<u>4254.94</u>
2. Less : Closing Inventory			
a) Finished Goods	5780.62		4438.69
b) Work-in-Progress	2141.18		1060.87
		<b>7921.80</b>	<u>5499.56</u>
3. (Increase)/ Decrease in Inventory		<b>(2422.24)</b>	<u>(1244.62)</u>

### SCHEDULE 15 : EXTRA ORDINARY ITEMS (NET OF TAX)

1. Profit on Sale of Trademark - "Snuggy"		<b>1140.94</b>	-
Less : Tax Thereon		<b>(128.01)</b>	-
<b>Total</b>		<b>1012.93</b>	<u>-</u>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### SCHEDULE 16: NOTES TO ACCOUNTS

#### 1. Significant Accounting Policies

##### a) Accounting Convention

The financial statements are prepared under the historical cost convention, on accrual basis, in accordance with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

##### b) Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets.

Direct financing cost incurred during the construction period on major projects is also capitalised. Exchange differences on repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets is adjusted to the carrying cost of the respective assets.

Fixed Assets acquired under finance lease are capitalised at the lower of their fair value and the present value of the minimum lease payments.

##### c) Intangible Assets

The cost of acquisition of trade marks is amortised equally over the best estimate of its useful life not exceeding a period of ten years, except in the case of brands acquired from Rapidol (Proprietary) Ltd. during the year and where the brand is amortised equally over a period of twenty years.

##### d) Investments

Investments are classified into current and long-term investments. Long-term investments are carried at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline, other than temporary. Current investments are stated at lower of cost and net realisable value.

##### e) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is computed on the weighted average basis and is net of cenvat. Finished goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Finished goods also include excise duty. Provision is made for cost of obsolescence and other anticipated losses, whenever considered necessary.

##### f) Provisions and Contingent Liabilities

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

##### g) Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of returns, trade discounts, rebates, sales taxes and excise duties.

Export incentives are accounted on accrual basis and include the estimated value of export incentives receivable under the Duty Entitlement Pass Book Scheme.

Dividend income is recognised when the right to receive the same is established.

Interest income is recognised on a time proportion basis.

##### h) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset till the date it is put to use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## Schedules forming part of the Accounts for the year ended March 31, 2007

### i) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Forward exchange contracts, remaining unsettled at the period end, backed by underlying assets or liabilities are also translated at period end exchange rates. Premium or discount on forward foreign exchange contracts is amortised over the period of the contract and recognised as income or expense for the period. Exchange gains/losses are recognised in the Profit and Loss Account except for exchange differences relating to fixed assets, which are adjusted in the cost of the asset. Non Monetary foreign currency items like investments in foreign subsidiaries are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of making the original investment.

### j) Research and Development Expenditure

Revenue expenditure on research and development is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure incurred during the year on research and development is shown as addition to fixed assets.

### k) Retirement Benefits

Retirement benefits to employees comprise payments under defined contribution plans like provident fund and family pension. Payments under defined contribution plans are charged to the Profit and Loss Account. The liability in respect of defined benefit schemes like gratuity and leave encashment benefit on retirement is provided on the basis of actuarial valuation at the end of each year. The liability for retirement gratuity is funded through a trust created for the purpose.

### l) Depreciation

Leasehold land is amortised equally over the lease period.

Depreciation is provided pro rata to the period of use, on the Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, except for computer hardware which is depreciated over 4 years.

Assets costing less than Rs. 5,000 are depreciated at 100% in the year of acquisition.

### m) Impairment

Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

### n) Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on unabsorbed tax losses and tax depreciation are recognised only when there is a virtual certainty of their realisation and on other items when there is reasonable certainty of realisation. The tax effect is calculated on the accumulated timing differences at the year end based on the tax rates and laws enacted or substantially enacted on the balance sheet date.

### o) Incentive Plans

The Company has a scheme of Performance Linked Variable Remuneration (PLVR) which rewards its employees based on Economic Value Addition (EVA). The PLVR amount is related to actual improvements made in EVA over the previous year when compared with expected improvements. The EVA awards flow through a notional bank whereby only pre-specified portion of the bank is distributed each year and balance

## Schedules forming part of the Accounts for the year ended March 31, 2007

is carried forward. Only the amount distributed out of notional bank is charged to Profit and Loss Account. The notional bank is held at risk and charged to EVA of future years and payable at that time if future performance so warrants.

### p) Segment Reporting

Segment revenue, results, assets and liabilities have been identified to represent segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Expenses". Unallocated assets mainly relate to fixed assets at corporate and regional offices not directly identifiable to any segment.

## 2. Background

Godrej Consumer Products Limited (the Company) was incorporated on November 29, 2000 to take over as a going concern the consumer products business of Godrej Soaps Limited (subsequently renamed as Godrej Industries Limited), pursuant to a scheme of arrangement as approved by the High Court, Mumbai. The Company is a focused fast moving consumer goods company, manufacturing and marketing toilet soaps, hair colour, liquid detergents and other toiletries.

## 3. Contingent Liabilities

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Claims for excise duties, taxes and other matters :		
i) Excise duty demands aggregating Rs. 31.77 lac (previous year Rs. 61.77 lac) against which the Company has preferred appeals (net of tax).	21.08	40.98
ii) Sales tax demands aggregating Rs. 35.88 lac (previous year Rs. 31.22 lac) against which the Company has preferred appeals (net of tax).	23.80	20.71
iii) Income Tax matters (previous year Rs. Nil) Demand notice issued by Additional Commissioner of Income-tax for assessment year 2004-2005 for disallowances of certain expenses and tax benefits.	668.48	—
iv) Other matters - Rs. 6.62 lac (previous year Rs. 2.50 lac) (net of tax).	4.39	1.66
b) Excise duty demands and penalties in respect of toilet soaps cleared from Malanpur Factory during the period of joint venture with Procter & Gamble, confirmed by CESTAT vide its order dated February 2002. The amount of duty and penalty which is to be quantified by the Commissioner of Excise in accordance with the findings of CESTAT is estimated at Rs. 1212.82 lac (previous year Rs. 1212.82 lac). The Company has filed an appeal against the order of CESTAT before the Supreme Court of India. By a subsequent CESTAT order passed in September 2004, all the assessments for the period April 1993 to March 1996 have been held to be provisional, thus negating the earlier stand of CESTAT (net of tax).	1008.70	1008.70
c) Guarantees issued by banks, excluding guarantees issued in respect of matters reported in (a) above.	212.26	236.48
d) Guarantees of GBP 3 million given by the Company for securing loan availed by Godrej Netherlands B.V., a wholly owned subsidiary.	2556.00	2324.40

## Schedules forming part of the Accounts for the year ended March 31, 2007

	Current Year Rs. Lac	Previous Year Rs. Lac
<b>4. Capital Commitments</b>		
Estimated value of contracts remaining to be executed on Capital account, to the extent not provided.	<b>2516.10</b>	2167.67
<b>5. Share Capital</b>		
Pursuant to the approval of the shareholders at the last Annual General Meeting, each equity share of face value of Rs. 4/- has been split into 4 equity shares of Re.1/- each with effect from September 1, 2006.		
<b>6. Secured Loans</b>		
a) The Sales Tax Deferment Loan is secured by :		
(i) Malanpur location :		
(a) a first charge by way of equitable mortgage of the immovable properties at Malanpur factory, and		
(b) hypothecation of movable assets at Malanpur factory, save and except, book debts and subject to charges already created by the Company in favour of the banks for working capital facilities.		
(ii) Baddi Location :		
Bank guarantee in favour of the sales tax authorities.		
During the year an amount of Rs. 22.00 lac (previous year Rs. 21.59 lac) has been prepaid at a discounted value of Rs. 18.69 lac (previous year Rs. 18.34 lac) under Madhya Pradesh Deferred Tax Pre-payment Yojana, 2005.		
b) Bank cash credit, working capital demand loans and guarantees issued by banks are secured by hypothecation of stocks and book debts.		
c) Term Loans from Banks are secured against the Hypothecation of the Trademark and Copyright acquired from Rapidol (Proprietary) Ltd.		
<b>7. Fixed Assets</b>		
a) Trademarks represent the cost of acquisition of certain Godrej soaps, toiletries and detergent brands acquired in pursuance of scheme of demerger and cost of Snuggy brand. The remaining amortisation period of the trademarks is between four to six years. The brands acquired during the year from Rapidol (Proprietary) Limited are amortised over a period of twenty years.		
b) The brands acquired from Rapidol (Proprietary) Limited are being amortised over a period of twenty years. The major influencing factor behind amortising over period of twenty years is Rapidol brand viz. Inecto has market share of about 80% in South African markets in respective category. It has been in existence for more than 80 years.		
c) Net borrowing cost capitalised under fixed assets amounts to Rs. 134.66 lac (previous year Rs. Nil).		
<b>8. Sundry Debtors</b>		
Sundry Debtors include amounts due from companies under the same management as under:		
	Current Year Rs. Lac	Previous Year Rs. Lac
a) Godrej Industries Ltd.	<b>126.52</b>	71.47
b) Godrej Agrovet Ltd.	<b>52.08</b>	2.07
c) Godrej Global Mid East FZE.	<b>73.09</b>	108.65
d) Godrej Properties & Investments Ltd.	-	0.09

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 9. Loans and Advances

- a) The Company has not granted any loans or advances in the nature of loans to its associates.
- b) The Company has granted a loan amounting to Rs. 12.30 crore, to The Godrej Consumer Products Limited ESOP Trust, a trust set up for administering the Employee Stock Option Plan of the Company set up for the employees/Directors of the Company and/or of the Company's subsidiaries. The aforesaid loan is repayable at the end of five years from the date of the loan agreement viz. March 21, 2007.

### 10. Investments

- a) During the year, the Company acquired the South African business of Rapidol Ltd. and its subsidiary Rapidol International Ltd. The Company made an outright purchase of the trademarks of Inecto, Soflene and other brands, and acquired the business through a 100% subsidiary in South Africa. The business comprises mainly of hair color under the brand name 'Inecto' in South Africa and several other African countries.
- b) In March 2007, the Company has signed an agreement with SCA Hygiene Products AB, Sweden, (SCA) a 100% subsidiary of the SCA Group, to form a Joint Venture Company which will manufacture and market paper based absorbent hygiene products, specifically sanitary napkins and baby diapers, in India, Nepal and Bhutan. The Company and SCA will be equal partners in the Joint Venture incorporated as "Godrej SCA Hygiene Limited".

### 11. Liabilities

- a) No amount has been claimed from the Company under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.
- b) The small scale industrial undertakings to whom an amount exceeding Rs. 1 lac is outstanding for more than 30 days as at the Balance Sheet date are as under :
  - Sweet Industries, Sangli
  - Cosy Packagers Private Limited
  - New Him Industries

The above information regarding small scale industrial undertaking has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

- c) The Company has acquired some vehicles under finance leases. The liability for minimum lease payment is secured by hypothecation of the vehicles acquired under the lease. The minimum lease payments outstanding as on March 31, 2007, in respect of vehicles leased are as under :

(Rs. in Lac)

Maturity Profile	Total of Future Minimum Lease Payments Outstanding as on March 31, 2007	Unmatured Finance Charges	Present Value of Future Minimum Lease Payments
Within one year	14.92	1.84	13.08
Later than one year and not later than five years	28.14	1.87	26.27
<b>Total</b>	<b>43.06</b>	<b>3.71</b>	<b>39.35</b>

- d) The Company's significant leasing agreements are in respect of operating lease for premises (office, godown, etc.) and the aggregate lease rentals payable, are charged as rent.
- e) Sundry creditors include overseas supplier credit amounting to Rs. 3057.80 lac (previous year Rs. 4731.70 lac)

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 12. Hedging Contracts

The Company uses forward exchange contracts to hedge its foreign exchange exposure in accordance with its forex policy as determined by a Forex Committee. As at March 31, 2007, the Company had 51 outstanding forward exchange contracts to purchase foreign currency aggregating to US Dollars 293.76 lac at an average rate of Rs. 45.13 per US Dollar. The uncovered foreign exchange exposure as at March 31, 2007 is US Dollars 246079/- and in GBP is 15298/-.

### 13. Profit and Loss Account

- The premium in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 154.94 lac (previous year Rs. 9.25 lac).
- Research and Development Expenditure of revenue nature charged to the Profit and Loss Account amounts to Rs. 208.71 lac (previous year Rs. 236.17 lac).
- Establishment expenses represent the Company's share of various expenses incurred by Godrej Industries Ltd., a company under the same management for sharing of services and use of common facilities.

### 14. Incentive Plans

The amount carried forward in notional bank after distribution of PLVR for the financial year 2006-07 is Rs. 1530 lac (previous year Rs. 2211 lac) as on March 31, 2007. The said amount is not provided in the books of account and is payable in future, if performance so warrants.

### 15. Annual Capacities and Production

			Installed Capacity*		Actual Production	
	Item	Units	Current Year	Previous Year	Current Year	Previous Year
1.	Soaps	M.T.	137333	75000	72961	62343
2.	Hair Colour and Other Toiletries	M.T.	4080	2330	1186	1458
3.	Fatty Acids	M.T.	52500	52500	886	1676
4.	Glycerine	M.T.	2300	2300	4827	3928

\* As certified by the management and relied on by the Auditors, being a technical matter.

Notes :

- The licensed capacities are not applicable in view of the exemption from licensing granted under Notification SO 477 (E) dated 25th July, 1991, issued under Industries (Development & Regulation) Act, 1951.
- Actual production excludes production for captive consumption.
- Actual production includes soaps produced by the Company for third parties - NIL (previous year 1453 MT).
- Actual production excludes items processed for the Company by third parties, viz. hair colour and other toiletries 3496 MT (previous year 2098 MT) and Detergents 3590 MT (previous year 3577 MT).

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 16. Inventory of Finished Goods

Item	Quantity Units	March 31, 2007		March 31, 2006		March 31, 2005	
		Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
Manufactured:							
1. Soaps	M.T.	8244	4391.36	6861	3431.53	5180	2610.59
2. Hair Colour and Other Toiletries	M.T.	658	880.87	450	615.58	441	643.78
3. Detergents	M.T.	619	262.45	389	150.23	428	176.35
4. Fatty Acids and Glycerine	M.T.	–	–	148	28.77	108	26.80
Purchased:							
1. Soaps	M.T.	31	27.24	21	19.58	16	16.60
2. Hair Colour and Other Toiletries	M.T.	121	218.70	162	191.10	105	151.47
3. Detergents	M.T.	–	–	4	1.90	55	21.88
<b>Total</b>			<b>5780.62</b>		<b>4438.69</b>		<b>3647.47</b>

### 17. Sales Turnover (Net of Excise Duty)

Item	Quantity Units	Current Year		Previous Year	
		Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Soaps	M.T.	71017	47509.04	60274	40054.61
2. Hair Colour and Other Toiletries	M.T.	5024	22930.47	4429	20194.72
3. Detergents	M.T.	3370	3883.68	3669	3972.92
4. Fatty Acids and Glycerine	M.T.	–	1528.37	–	1509.64
<b>Total</b>			<b>75851.56</b>		<b>65731.89</b>

### 18. Raw Materials Consumed

Item	Quantity Units	Current Year		Previous Year	
		Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Oils and Fats	M.T.	66606	17600.45	57178	13629.37
2. Chemicals, Perfumes, Colours and Catalysts	M.T.	54465	12526.64	24485	8941.53
3. Packing Materials, etc.	M.T.	–	7901.91	–	7429.98
<b>Total</b>			<b>38029.00</b>		<b>30000.88</b>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 19. Purchase of Goods

Item	Quantity Units	Current Year		Previous Year	
		Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Soaps	M.T.	243	184.45	282	222.28
2. Hair Colour and Other Toiletries	M.T.	715	1028.91	1117	1367.24
3. Detergents	M.T.	-	-	34	15.28
<b>Total</b>			<b>1213.36</b>		<b>1604.80</b>

### 20. Computation of Profits under Section 349 of the Companies Act, 1956.

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Profit for the year as per Profit and Loss Account		<b>12202.84</b>	12120.47
Add :			
Depreciation as per Accounts	1249.46		1078.39
Managerial Remuneration	440.34		333.86
Loss/(Profit) on Sale of Assets as per Accounts	14.87		(146.79)
Write Back of Doubtful Debts/Advances	(8.90)		(8.49)
Provision for Taxation	1237.28		1006.72
		<b>2933.05</b>	2263.69
		<b>15135.89</b>	14384.16
Less :			
Depreciation under Section 350	1345.57		1065.94
Profit on sale of investments as per accounts	22.73		38.71
Loss/(Profit) on Sale of Assets as per Section 349(3)	14.97		(137.21)
		<b>1383.27</b>	967.44
Eligible Net Profit as per Section 349 of the Companies Act, 1956.		<b>13752.62</b>	13416.72
Maximum limit of remuneration payable as per Section 198 read with Schedule XIII of the Companies Act, 1956 :			
a) To Wholetime Directors @ 10% of Eligible Profit :		<b>1375.26</b>	1341.67
b) To Non-wholetime Directors @ 1% of Eligible Profit :		<b>137.53</b>	134.17
Managerial Remuneration to Wholetime Directors		<b>383.82</b>	279.66
Commission to Non-wholetime Directors		<b>50.12</b>	48.00

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 21. Managerial Remuneration

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
<b>Remuneration to the Chairman &amp; Managing Director and Executive Director &amp; President :</b>			
a) Salary and Allowances	116.59		89.26
b) Contribution to Provident Fund	9.98		8.14
c) Estimated Monetary Value of Perquisites	164.65		71.11
d) Provision for Performance Linked Variable Remuneration	92.60		111.15
	<hr/>	<b>383.82</b>	<hr/> 279.66
Remuneration to Non-wholetime Directors :			
a) Commission on Profits	50.12		48.00
b) Directors' Sitting Fees	6.40		6.20
	<hr/>	<b>56.52</b>	<hr/> 54.20
<b>Total</b>		<hr/> <b>440.34</b> <hr/>	<hr/> 333.86 <hr/>

### 22. Auditor's Remuneration

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Statutory Audit Fees		<b>26.75</b>	20.00
b) Tax Audit Fees		<b>4.50</b>	4.50
c) In Other Capacity :			
Taxation Matters	3.00		3.00
Other Charges	6.66		10.56
	<hr/>	<b>9.66</b>	<hr/> 13.56
d) Reimbursement of Expenses		<b>1.70</b>	1.23
e) Service Tax		<b>5.22</b>	3.57
<b>Total</b>		<hr/> <b>47.83</b> <hr/>	<hr/> 42.86 <hr/>

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 23. Earnings per Share

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Net Profit After Tax (Before Extraordinary Items)	<b>12202.84</b>	12120.47
Net Profit After Tax (Including Extraordinary Items)	<b>13215.77</b>	12120.47
b) Number of Equity Shares :		
As at the commencement of the year	<b>225,844,076</b>	226,417,868
Issued during the year/(bought back and extinguished)	–	(573,792)
As at the end of the year	<b>225,844,076</b>	225,844,076
Weighted Average Number of Equity Shares during the year	<b>225,844,076</b>	225,972,592
c) Basic and Diluted Earnings Per Share (Before Extraordinary Item) - Rs.	<b>5.40</b>	5.36
Basic and Diluted Earnings Per Share (Including Extraordinary Item) - Rs. (Face value Re. 1/-)	<b>5.85</b>	5.36

During the previous year the face value of the equity shares of the Company was Rs. 4/- which was changed during the year to Re. 1/- per equity share. The weighted average number of equity shares for the previous year and current year have been adjusted for this change in face value. The earning per share of Rs. 21.45 (face value Rs. 4/-) reported in the previous year has now been restated as Rs. 5.36 (face value Re. 1/-) as per the requirement of AS - 20 Earnings Per Share issued by the Institute of Chartered Accountant of India.

### 24. Dividends remitted in foreign currency

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) 4th Interim Dividend for the year ended March 31, 2006, to 237 non-resident shareholder on 66,600 shares @ Rs. 1.50 per share	<b>0.83</b>	
1st Interim Dividend for the year ended March 31, 2007, to 319 non-resident shareholder on 99,408 shares @ Re. 0.75 per share	<b>0.75</b>	
2nd Interim Dividend for the year ended March 31, 2007, to 284 non-resident shareholder on 78,860 shares @ Re. 0.75 per share	<b>0.59</b>	
3rd Interim Dividend for the year ended March 31, 2007, to 279 non-resident shareholder on 74,280 shares @ Re. 1 per share	<b>0.74</b>	
b) 4th Interim Dividend for the year ended March 31, 2005, to 266 non-resident shareholder on 18,482 shares @ Rs. 5 per share		0.92
1st Interim Dividend for the year ended March 31, 2006, to 261 non-resident shareholder on 18,222 shares @ Rs. 3 per share		0.55
2nd Interim Dividend for the year ended March 31, 2006, to 251 non-resident shareholder on 17,692 shares @ Rs. 3 per share		0.53
3rd Interim Dividend for the year ended March 31, 2006, to 254 non-resident shareholder on 17,650 shares @ Rs. 3 per share		0.53
<b>Total</b>	<b>2.91</b>	2.53

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 25. Value of imported and indigenous materials consumed

	Current Year Rs. in Lac	%	Previous Year Rs. in Lac	%
a) Raw Materials				
- Imported (Including duty content)	16496.10	43.38	12655.75	42.18
- Indigenous	21532.90	56.62	17345.13	57.82
	<b>38029.00</b>	<b>100.00</b>	<b>30000.88</b>	<b>100.00</b>
b) Stores and Spare Parts				
- Imported (Including duty content)	9.55	2.43	0.50	0.12
- Indigenous	383.50	97.57	410.37	99.88
<b>Total</b>	<b>393.05</b>	<b>100.00</b>	<b>410.87</b>	<b>100.00</b>

### 26. Value of Imports on C.I.F. Basis

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Raw Materials	<b>12867.55</b>	10277.66
<b>Total</b>	<b>12867.55</b>	10277.66

### 27. Expenditure in Foreign Currency

a) Sales Promotion	36.30	23.64
b) Travelling Expenses	79.44	77.46
c) Consultancy	108.08	179.16
d) Others	52.85	36.83
<b>Total</b>	<b>276.67</b>	317.09

### 28. Earnings in Foreign Currency

a) F.O.B. Value of Exports	1159.55	1075.03
b) Royalty	275.85	-
c) Interest on Loan to Subsidiary	2.76	30.23
<b>Total</b>	<b>1438.16</b>	1105.26

### 29. Related Party Transactions

#### A) List of Related Parties :

- a) **Enterprise having control over reporting enterprise :**
  - i) Godrej & Boyce Mfg. Co. Ltd.
- b) **Subsidiaries:**
  - i) Godrej Netherlands B.V
  - ii) Godrej Consumer Products (UK) Limited (a subsidiary of Godrej Netherlands B.V.)
  - iii) Keyline Brands Limited (a subsidiary of Godrej Consumer Products (UK) Limited)
  - iv) Inecto Manufacturing Limited (a subsidiary of Keyline Brands Limited)
  - v) Inecto Limited (a subsidiary of Keyline Brands Limited)
  - vi) Cosmetics That Care Limited (a subsidiary of Keyline Brands Limited)
  - vii) Cuticura Laboratories Limited (a subsidiary of Keyline Brands Limited)
  - viii) Rapidol (Pty) Limited
- c) **Joint Venture :**
  - i) Godrej SCA Hygiene Limited
- d) **Enterprises under common control with whom transactions have taken place during the year :**
  - i) Godrej Industries Limited
  - ii) Godrej HiCare Limited
  - iii) Godrej Agrovet Limited
  - iv) Godrej Beverages & Foods Limited
  - v) Godrej Global Mid East FZE
- e) **Enterprise over which Key management personnel exercise significant influence :**
  - i) Godrej Investments Private Limited
- f) **Key Management Personnel and Relatives :**
  - i) Mr. Adi B. Godrej, Chairman and Managing Director
  - ii) Mr. Hoshedar K. Press Executive Director and President
  - iii) Mrs. Parmeshwar A. Godrej, Wife of Mr. Adi B. Godrej
  - iv) Mrs. Khoorsheed H. Press, Wife of Mr. Hoshedar K. Press

## Schedules forming part of the Accounts for the year ended March 31, 2007

### B) Transactions with Related Parties

(Rs. in Lac)

Particulars	Enterprise Having Control Over Reporting Enterprise	Enterprise Under Common Control	Subsidiary Companies	Joint Venture Company	Enterprise over which Key Management Personnel Exercise Significant Influence	Relatives of Key Management Personnel	Key Management Personnel	Total
Sale of Goods	<b>12.24</b>	<b>1075.26</b>	<b>37.32</b>					<b>1124.82</b>
	<i>11.17</i>	<i>1303.88</i>	–					<i>1315.05</i>
Purchase of Materials, Spares and Capital Equipment	<b>757.70</b>	<b>1185.63</b>						<b>1943.33</b>
	<i>69.59</i>	<i>1073.24</i>						<i>1142.83</i>
Establishment and Other Expenses	<b>38.46</b>	<b>1108.47</b>		<b>(3.03)</b>				<b>1143.90</b>
	<i>21.62</i>	<i>846.81</i>		–				<i>868.43</i>
Investments Made			<b>1200.33</b>	<b>1000.00</b>				<b>2200.33</b>
			<i>4901.33</i>	–				<i>4901.33</i>
Sale of Brand				<b>1560.00</b>				<b>1560.00</b>
				–				–
Royalty			<b>275.85</b>					<b>275.85</b>
			–					–
Loan Given			<b>365.48</b>					<b>365.48</b>
			<i>2405.37</i>					<i>2405.37</i>
Loan Repaid			<b>365.48</b>					<b>365.48</b>
			<i>2405.37</i>					<i>2405.37</i>
Interest Received on Loan			<b>2.76</b>					<b>2.76</b>
			<i>30.23</i>					<i>30.23</i>
Guarantees Given			–					–
			<i>2324.40</i>					<i>2324.40</i>
Dividend Remitted	<b>3786.38</b>	<b>1587.78</b>			<b>88.50</b>	<b>12.75</b>	<b>0.38</b>	<b>5475.79</b>
	<i>3538.95</i>	<i>787.46</i>			<i>17.70</i>	<i>11.90</i>	<i>0.36</i>	<i>4356.37</i>
Managerial Remuneration							<b>383.82</b>	<b>383.82</b>
							<i>279.66</i>	<i>279.66</i>
Sale of Residential Properties						–		–
						<i>2172.61</i>		<i>2172.61</i>
Lease Rentals paid (also included in the remuneration paid to Mr. A. B. Godrej)						<b>129.07</b>		<b>129.07</b>
						<i>33.70</i>		<i>33.70</i>
Outstanding Balances as at March 31, 2007								
Receivable	<b>0.20</b>	<b>251.69</b>	<b>131.48</b>					<b>383.37</b>
	<i>1.56</i>	<i>182.28</i>	–					<i>183.84</i>
Payable	<b>9.11</b>	<b>249.70</b>				–	<b>92.60</b>	<b>351.41</b>
	<i>5.02</i>	<i>242.90</i>				<i>33.70</i>	<i>111.15</i>	<i>392.77</i>
Guarantees Outstanding			<b>2556.00</b>					<b>2556.00</b>
			<i>2324.40</i>					<i>2324.40</i>

Note: Figures in italics denote figures for previous year.

## Schedules forming part of the Accounts for the year ended March 31, 2007

### C) The significant related party transactions are as under :

(Rs. in Lac)

Nature of Transaction	Enterprise Having Control Over Reporting Enterprise	Amount	Enterprise Under Common Control	Amount	Subsidiary Companies	Amount	Joint Venture Company	Amount	Key Management Personnel and Relatives	Amount
Sale of Goods			Godrej Global Mid East FZE	254.41	Keyline Brands Ltd.	13.03				
			Godrej Industries Ltd.	754.42	Rapidol (Pty) Ltd.	24.29				
Purchase of Materials, Spares and Capital Equipment	Godrej & Boyce Mfg. Co. Ltd.	757.70	Godrej Industries Ltd.	997.32						
Establishment and other expenses			Godrej Global Mid East FZE	188.17						
			Godrej Industries Ltd.	1111.96						
Investments Made					Rapidol (Pty) Ltd.	1200.33	Godrej SCA Hygiene Ltd.	1000.00		
Sale of Brand							Godrej SCA Hygiene Ltd.	1560.00		
Loan Given					Goderj Netherlands BV	365.48				
Loan Repaid					Goderj Netherlands BV	365.48				
Royalty					Rapidol (Pty) Ltd.	275.85				
Dividend Remitted	Godrej & Boyce Mfg. Co. Ltd.	3786.38	Godrej Industries Ltd.	1587.78						
Interest Received on Loan					Godrej Netherlands BV	2.76				
Managerial Remuneration									Mr. Adi B. Godrej	252.93
									Mr. Hoshedar K. Press	130.89
Lease Rentals									Mrs. P. A. Godrej	129.07

## Schedules forming part of the Accounts for the year ended March 31, 2007

### 30. Interest in joint venture

The Company's interest, as a venturer, in a jointly controlled entity acquired during the year is as under :

Name	Country of Incorporation	Principal Activities	Percentage of Ownership Interest as at March 31, 2007
Godrej SCA Hygiene Ltd.	India	Sanitary Napkins and Baby Diapers	50%

The Company's interest in a jointly controlled entity is reported as Long Term Investments in Schedule 7 and stated at cost less provision, if any, for permanent diminution in value of such investments. The Company's share of each of the assets, liabilities, income and expenses, related to its interest in this joint venture is as under :

	Current year Rs. in Lac
<b>I. ASSETS</b>	
1. Fixed Assets	<b>780.00</b>
2. Current Assets, Loans and Advances	
Cash and Bank Balance	<b>218.66</b>
<b>II. LIABILITIES</b>	
Current Liabilities	<b>1.05</b>
<b>III. EXPENSES</b>	
1. Expenses	<b>2.39</b>
2. Depreciation	<b>0.64</b>
<b>IV. OTHER MATTERS</b>	
1. Contingent Liabilities	—
2. Capital Commitments	—

## Schedules forming part of the Accounts for the year ended March 31, 2007

31. The Company operates in two business segments : Soap and Personal Care. Soap includes Godrej brand and other brand toilet soap. Personal Care includes hair colour, shaving cream, talcum powder, deodorant, liquid detergent and other toiletries.

### Information about Primary Business Segments :

Rs. in Lac

	Soap		Personal Care		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Revenue</b>								
External Sales	48841.00	41318.37	27011.00	24413.52	–	–	75852.00	65731.89
Total Revenue	48841.00	41318.37	27011.00	24413.52	–	–	75852.00	65731.89
<b>Segment result before interest and taxation</b>	5532.00	5129.42	10880.00	10328.96	–	–	16412.00	15458.38
Unallocated expenses net of unallocated income	–	–	–	–	(2388.00)	(1927.20)	(2388.00)	(1927.20)
Interest expense (net)							(584.00)	(403.99)
<b>Profit before tax</b>							13440.00	13127.19
Taxes							(1237.00)	(1006.72)
Extraordinary items (net of tax)							1013.00	–
<b>Net Profit</b>							13216.00	12120.47
Segment Assets	24369.62	13592.36	3670.56	3554.52	13965.85	7939.62	42006.03	25086.50
Segment Liabilities	11993.54	8013.10	1669.31	2064.91	5169.25	6730.05	18832.10	16808.06
Total cost incurred during the year to acquire segment assets	4182.03	246.53	804.64	25.73	4238.96	77.51	9225.63	349.77
Segment Depreciation	669.09	669.57	375.57	303.67	204.80	105.15	1249.46	1078.39

Segments have been identified taking into account the nature of the products, the different risks and returns, the organisational structure and the internal reporting system.

### 32. GENERAL

- Other information required by Schedule VI to the Companies Act, 1956, has been given only to the extent applicable.
- Figures for the previous year have been regrouped/restated wherever necessary to conform to current year's presentation.

## Schedules forming part of the Accounts for the year ended March 31, 2007

### Statement Pursuant to Part IV, Schedule VI to the Companies Act, 1956 : Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details :

Registration No.	:	129806
State Code	:	11
Balance Sheet Date	:	March 31, 2007

#### II. Capital Raised During the Year : (Amount in Rs. Thousand)

Public Issue	:	—
Right Issue	:	—
Bonus Issue	:	—
Private Placement	:	—

#### III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousand)

Total Liabilities	:	4541213
Total Assets	:	4541213
Sources of Funds		
Paid-up Capital	:	225844
Reserves and Surplus	:	883198
Secured Loans	:	478647
Unsecured Loans	:	650000
Deferred Tax Liability	:	79700
Application of Funds		
Net Fixed Assets	:	1879413
Investments	:	717,907
Deferred Tax Asset	:	—
Net Current Assets	:	(279,931)
Misc. Expenditure	:	—
Accumulated Losses	:	—

#### IV. Performance of Company : (Amount in Rs. Thousand)

Turnover	:	7638193
Total Expenditure	:	6294181
Net Profit After Tax (Before Extraordinary Items)	:	1220284
Net Profit After Tax (Including Extraordinary Items)	:	1321577
Basic and Diluted Earnings Per Share (Before Extraordinary Item) - Rs.	:	5.40
Basic and Diluted Earnings Per Share (Including Extraordinary Item) - Rs.	:	5.85
Dividend Rate %	:	375%

#### V. Generic Names of 3 Principal Products/Services of Company :

(As per monetary terms)

a) Item Code No. (ITC Code)	:	34.01*
Product Description	:	Soaps
b) Item Code No. (ITC Code)	:	33.07*
Product Description	:	Cosmetics
c) Item Code No. (ITC Code)	:	34.02*
Product Description	:	Detergents

\* Represents Heading No. of the Harmonised Commodity Description and Coding System